



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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June 2, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**MEMORANDUM OF UNDERSTANDING FOR MEDICARE DISPROPORTIONATE
SHARE HOSPITALS IN THE 340B DRUG PRICING PROGRAM**
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Delegate authority to the Director of Health Services, or his designee, to execute Memorandum of Understandings, substantially similar to Exhibit I, with private non-profit hospitals to allow their participation in a federally sponsored discounted pharmaceutical program, within the parameters described hereinbelow and as set forth in Exhibit I, subject to review and approval by County Counsel and the Chief Administrative Office, and notification to Board of Supervisors' offices, effective upon the date of Board approval, with no net County cost.

PURPOSE /JUSTIFICATION OF THE RECOMMENDED ACTION:

Approval of this action will enable the Department of Health Services (DHS) to enhance the health care community's commitment to the provision of health care to the indigent, uninsured, and underinsured residents of Los Angeles County.

FISCAL IMPACT/FINANCING:

There is no direct net County cost associated with approval of delegated authority to the Director to enter into a Memorandum of Understanding (MOU) with eligible disproportionate share (DSH) hospitals that wish to participate in the 340B Drug Pricing Program.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The 340B Drug Pricing Program (340B Program) is a federally sponsored program that provides pharmaceuticals at reduced cost to qualified health care providers. The 340B Program resulted from enactment of Public Law 102-585, the Veterans Health Care Act of 1992. The 340B Program limits the cost of drugs to federal purchasers and to certain grantees of federal agencies, and can result in significant savings on pharmaceuticals to participating hospitals and facilities.

To qualify for the discounts, an entity must be a grantee of an eligible grant program, a Federally Qualified Health Center Look-Alike, or a disproportionate share (DSH) hospital that meets specific requirements. One requirement is that the local health agency must certify that a) the DSH hospital has a contract with that agency and b) the DSH hospital provides health care services to low-income persons who are not eligible for Medicare or Medi-Cal.

Following certification by the local health agency, the eligible DSH hospital can submit a written request and Medi-Cal billing information to the U. S. Department of Health and Human Services, Office of Pharmacy Affairs. Once approval is received, the DSH hospital may begin receiving pharmaceuticals at the 340B Program discounted price in the quarter following approval.

In October 2004, Cedars Sinai Medical Center asked DHS to provide the certification and an agreement so it could apply to the 340B Program. The following month, a similar request was received from Catholic Healthcare West for Northridge Hospital Medical Center, St. Mary Medical Center, California Hospital Medical Center, San Gabriel Valley Medical Center and Glendale Memorial Hospital & Health Center. In March 2005, Providence Health System requested certification for Providence Holy Cross Medical Center, Providence St. Joseph Medical Center, and Little Company of Mary-San Pedro Hospital.

In five months, the number of requests to DHS for Program certification and an agreement has risen from one to eight. Because of the growing awareness of the 340B Program among health care systems, DHS anticipates that it will receive additional requests in the future. Approval of delegated authority by the Board to enter into MOUs with eligible facilities will expedite the application process.

Attachments A and B provide additional information.

County Counsel has approved Exhibit I as to use and form.

CONTRACTING PROCESS:

DHS is requesting delegated authority to expedite the application process for eligible hospitals to participate in the 340B Program.

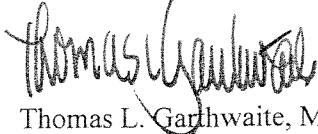
IMPACT ON CURRENT SERVICES (OR PROJECTS):

There is no direct impact on current services. Approval of delegated authority for the 340B Program MOU will assist private DSH hospitals to enroll in the discounted 340B pharmaceutical program and support the provision of health care to indigent, uninsured and underinsured residents.

The Honorable Board of Supervisors
June 2, 2005
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When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Thomas L. Garthwaite". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:cba

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

BLET3901.CBA

SUMMARY OF MEMORANDUM OF UNDERSTANDING

1. TYPE OF SERVICE:

This is a Federally sponsored program that provides pharmaceuticals at reduced cost to qualified health care providers.

2. TERM:

The term is effective upon the date of Board approval with no expiration date. The MOU may be terminated by either party upon not less than sixty days prior written notice to the other.

3. AGENCY ADDRESS AND CONTACT PERSON:

Carol S. Meyer, Director
Emergency Medical Services
Telephone: (323) 890-7539

4. FINANCIAL INFORMATION:

There is no direct net County cost associated with the MOU.

5. GEOGRAPHIC INFORMATION:

Countywide.

6. ACCOUNTABLE FOR MONITORING:

Carol S. Meyer, Director Emergency Medical Services Agency.

7. APPROVALS:

Department of Health Services: Thomas L. Garthwaite, Director

Local EMS Agency: Carol S. Meyer, Director

Contracts and Grants Division: Cara O'Neill, Chief

County Counsel: (Approval as to use) Sharon Reichman, Principal Deputy County Counsel

MEDICARE DISPROPORTIONATE SHARE HOSPITALS

340B DRUG PRICING PROGRAM

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is made this _____ day of _____, 2005, between the undersigned representatives of the COUNTY OF LOS ANGELES/DEPARTMENT OF HEALTH SERVICES (hereinafter referred to as "DHS", located at 313 North Figueroa Street, Room 912, Los Angeles, California 90012 and _____, (hereinafter referred to as "HOSPITAL") a non-profit corporation organized and existing under the laws of the State of California, located at _____.

RECITALS:

WHEREAS, Hospital is a California not-for-profit hospital that provides a disproportionate share of healthcare services to the Medicare and Medicaid populations in addition to supporting many programs that benefit the indigent, uninsured or underinsured population in Los Angeles County;

WHEREAS, Provider desires to make such formal commitment to DHS; and

WHEREAS, DHS agrees to accept such commitments on behalf of the citizens of Los Angeles County.

NOW, THEREFORE, in consideration of the mutual agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, it is mutually agreed by and between the parties of this MOU, as follows:

1. COMMITMENT OF HOSPITAL TO PROVIDE INDIGENT CARE: During the term of this MOU, Hospital agrees to continue its historical commitment to the provision of health care to indigent, uninsured and underinsured residents by adhering to the Hospital Benefit Plan. Hospital's

Community Benefit Report 2003 and Community Benefit Plan for 2003 and 2005 have been filed with the State of California pursuant to California Health & Safety Code Section 127345, et seq. During the calendar year ending December 2004, Hospital provided approximately \$_____ million in traditional charity care computed at cost. Pursuant to its commitment to continue to provide indigent care, it is Hospital's intention that indigent care provided during the term of this MOU will be consistent with its historical commitment. In any event, Hospital will ensure that all patients presenting to its Emergency Department continue to receive necessary care, as required by law, regardless of ability to pay.

2. COMMITMENT OF HOSPITAL TO SUBMIT QUARTERLY REPORTS OF 340B CALCULATIONS: During the term of this MOU, Hospital agrees to compile to DHS quarterly reports of the charity care calculations associated with the 340B Program and provide such compiled reports to the DHS on an annual basis. The annual report should be sent to:

County of Los Angeles
Director, Department of Health Services
313 N. Figueroa St., Room 903
Los Angeles, CA 90012
Attention: 340B Program

3. ACCEPTANCE AND ACKNOWLEDGMENTS OF DHS:

- (a) DHS accepts the commitment of Hospital set forth above;
- (b) DHS hereby acknowledges that the health care services provided by Hospital hereunder are in the public interest and are being provided to individuals who are not entitled to benefits under Title XVIII of the Social Security Act or eligible for assistance under any State plan pursuant to Title XIX of the Social Security Act; and
- (c) DHS acknowledges that Hospital is providing these services at no reimbursement or for considerably less than full reimbursement from the patients.

4. REPRESENTING OF HOSPITAL: Hospital represents that as of the date
hereof:

(a) Hospital constitutes a separately licensed facility that is owned and operated by Hospital, a nonprofit corporation duly organized and validly existing in good standing under the laws of the State of California, with the corporate power and authority to enter into and perform its obligations under this MOU; and

(b) Hospital is a tax-exempt corporation under Section 501 (c)(3) of the Internal Revenue Code of the United States, as amended, and under applicable laws of the State of California.

5. TERM AND TERMINATION: The term of this MOU shall commence on the date set forth above and shall continue until terminated by either party upon not less than sixty (60) days prior written notice to the other.

6. NOTICE: All notices required or permitted to be given under this MOU shall be deemed given when delivered by hand or sent by registered or certified mail, return receipt requested, addressed as follows:

SENT TO DHS: County of Los Angeles
Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer
Department of Health Services
313 North Figueroa Street, Room 912
Los Angeles, California 90012

WITH A COPY TO: County Counsel
648 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

SENT TO HOSPITAL:

WITH A COPY TO: (Owner/Operator of Hospital)
Attention: _____

(Street Address)
(City, State, Zip)

7. GOVERNING LAW: This MOU shall be governed and construed in accordance with the laws of the State of California (excepting any conflict of laws/provisions which would serve to defeat application of California substantive law).

IN WITNESS WHEREOF, Hospital and the County of Los Angeles Department of Health Services have executed this MOU on the day and year first written above by their duly authorized representatives.

WITNESS:

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES

By _____
Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

WITNESS:

Hospital
By _____
Signature

Printed Name

Title

MOU3902.CBA
cba:04/22/05